

WILLIAMS & HOSKINS  
ATTORNEYS AT LAW  
LAWYERS ATRIUM BUILDING  
18935 INTERSTATE FORTY-FIVE  
SPRING, TEXAS 77388

CLARENCE T. WILLIAMS  
PATRICK L. HOSKINS

July 7, 1987

1 45261  
RECORDATION NO. .... Filed 1426

JUL 15 1987 - 11 55 AM

INTERSTATE COMMERCE COMMISSION

7-198A060

No. - 713 -  
Date JUL 15 1987 350-1900  
Fee \$ ~~50.00~~ 10.00

ICC Washington, D.C.

Secretary of the Interstate  
Commerce Commission  
Washington, D.C. 20423

CERTIFIED MAIL NO. P-247-995-402  
RETURN RECEIPT REQUESTED

Re: Recordation of Security Agreement  
Debtor: Associated Railcar, Inc.  
Secured Party: Spring National Bank

Dear Madam Secretary:

We represent Spring National Bank, Spring, Texas. Enclosed herewith please find three (3) original, executed copies of the Security Agreement above referenced. These are furnished for recordation pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, and pursuant to provisions of Section 1116 of the Code of Federal Regulations. The general description of the railroad tank cars covered by the Security Agreement is as follows, to-wit:

(1)	GLNX	3548	FKA	LAMX	23548
(2)	GLNX	3581	FKA	LAMX	23581
(3)	GLNX	3582	FKA	LAMX	23582
(4)	GLNX	3584	FKA	LAMX	23584
(5)	GLNX	3602	FKA	LAMX	23602
(6)	GLNX	3607	FKA	LAMX	23607
(7)	GLNX	3613	FKA	LAMX	23613
(8)	GLNX	3623	FKA	LAMX	23623
(9)	GLNX	3624	FKA	LAMX	23624

Following recordation, please return the original recorded instruments to the undersigned at the address listed on the letterhead. Our firm check for the \$50.00 recordation fee is enclosed.

100 OFFICE OF  
THE SECRETARY  
JUL 15 10 20 AM '87  
INTERSTATE COMMERCE COMMISSION

Page 2

If questions arise or additional fees are necessary, please call the undersigned collect and leave a message and recall number if I am unavailable. Thank you.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Patrick L. Hoskins", written in dark ink.

Patrick L. Hoskins

PLH:sj

Enclosures: (1) 3 Original Set. Agmts.  
(2) \$50.00 Check

Interstate Commerce Commission  
Washington, D.C. 20423

OFFICE OF THE SECRETARY

July 15, 1987

Patrick L. Boskins  
Williams & Hoskins  
Lawyers Atrium Building  
18935 Interstate Forty-Five  
Spring, Texas 77388

Dear

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 7/15/87 at 11:55 AM, and assigned recordation number(s).

15261

Sincerely yours,

*Norita K. McGehee*  
Secretary

Enclosure(s)

5261



# Spring National Bank

P. O. Box 2388  
Spring, Texas 77383

## SECURITY AGREEMENT

1189604-9001  
(Note Number)

March 7, 1986  
(Date)

Associated Railcar, Inc.

P.O. Box 270040  
(No. and Street) Houston, Texas 77277  
(City) (County) (State)

hereinafter called "Debtor", for value received, the receipt and sufficiency of which is hereby acknowledged, hereby grants to Spring National Bank, 1530 Spring Cypress Road, Spring, Texas 77373 hereinafter called "Secured Party", the security interest hereinafter set forth and agrees with Secured Party as follows:

I. **SECURITY INTEREST.** Debtor hereby grants to Secured Party a security interest in the following property of Debtor, including without limitation the items described on Exhibits, if any, attached hereto and made a part hereof and the proceeds and products of all the foregoing hereinafter called "Collateral": (CHECK AND INITIAL APPROPRIATE BLOCK(S))

### ALL PERSONAL PROPERTY (COMMERCIAL USE)

☐ All inventory, equipment, accounts, chattel paper, general intangibles, instruments, and documents now or hereafter held or acquired.

### ACCOUNTS RECEIVABLE

☐ All accounts, contract rights, chattel paper, instruments, and general intangibles representing a right or opportunity to receive a payment of money, now owned and hereafter acquired;  
☐ Only those specific accounts described on Schedule A attached or which may hereafter be attached hereto;

### CHattel PAPER

☐ All chattel paper now or hereafter held or acquired. Chattel paper are lease agreements, installment sale contracts or other instruments or documents evidencing both a debt and security interest in or lease of specific goods;

### INVENTORY:

☐ All inventory now or hereafter held or acquired and wherever located and all documents relating thereto;

### EQUIPMENT:

☐ All equipment now or hereafter held or acquired and wherever located. If any of such equipment is or will be affixed or in any manner attached to real estate and/or building(s) or structure(s) located thereon, the legal description and record owner of such real estate is: \_\_\_\_\_

### FARM PRODUCTS:

☐ All interest in any and all crops, livestock and supplies now or hereafter used or produced by Debtor in farming operations wherever located; all of Debtor's crops or livestock are presently located in the following counties: \_\_\_\_\_

### PLEDGE:

☐ The notes, stock, instruments, documents, securities or other property which have been or will be delivered into the Secured Party's possession, and all dividends (including stock dividends) and subscription rights pertaining thereto. Without limiting the generality of the foregoing this collateral includes: \_\_\_\_\_

### SPECIFIC COLLATERAL (NON-CONSUMER GOODS)

☒ DESCRIBE: Nine, 1980 built Dot 111A100W3, 23,500 gallon nominal capacity tank cars, otherwise referred to as "General Purpose" tank cars, numbered GLNX 3548, GLNX 3581, GLNX 3582, GLNX 3584, GLNX 3602, GLNX 3607, GLNX 3613, GLNX 3623, & GLNX 3624; manufactured by Richmond Tank Car, Sheldon, Texas.

### SPECIFIC COLLATERAL (CONSUMER GOODS)

☐ DESCRIBE: \_\_\_\_\_

The foregoing collateral, which is to be primarily used for personal, family or household purposes, does not include any after-acquired consumer goods, other than accessions, unless Debtor acquires rights in such goods within ten (10) days from the date hereof.

The security interest granted hereby is to secure the payment of (i) any and all indebtedness and liabilities whatsoever of the Debtor to Secured Party whether direct or indirect, absolute or contingent, due or to become due and whether now existing or hereafter arising and howsoever evidenced or acquired, whether joint or several, and (ii) the following note(s) or other obligations and any and all extensions, renewals and rearrangements thereof:

Date: March 7, 1986  
Principal Amount: \$187,425.00  
Executed by: \_\_\_\_\_

All of the above debts and obligations are hereinafter sometimes called the "Obligations". Secured Party may be making future advances which are intended to be secured by this Security Agreement, whether or not such future advances are presently anticipated.

**II. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR**

(a) Except for the security interest granted hereby, the Debtor is, and as to the Collateral acquired after the date hereof which is included within the security interest specified in Section I hereof, Debtor will be, the owner of all such Collateral free from any adverse claim, security interest or encumbrance;

(b) There is no Financing Statement now on file in any public office covering any part of the Collateral, and so long as any amount remains unpaid on any Obligations of the Debtor to Secured Party, Debtor will not execute and there will not be on file in any public office any such Financing Statement or statements except the Financing Statement filed or to be filed in respect to the security interest hereby granted;

(c) Subject to any limitation stated therein or in connection therewith, all information furnished to Secured Party concerning the Collateral and proceeds thereof, or otherwise for the purpose of obtaining credit or an extension of credit, is or will be at the time the same is furnished, accurate and correct in all material respects.

(d) The Collateral will be used by the Debtor primarily for:

☐ Personal, family or household purposes; ☐ Farming Operations; ☒ Business Use.

(e) Except as herein provided, Debtor will not remove the Collateral from its address designated at the beginning of this Agreement without the written consent of Secured Party. The address of Debtor designated at the beginning of this Agreement is Debtor's place of business if Debtor has only one place of business; Debtor's chief executive office if Debtor has more than one place of business; or Debtor's residence if Debtor has no place of business. Debtor agrees to notify Secured Party promptly of any change in such address.

**III. PROVISIONS REGARDING ACCOUNTS.** The following provisions shall apply to all accounts included within the Collateral:

(a) Although it will be within Secured Party's discretion whether to make loans under this agreement, Debtor understands that Secured Party intends to limit its loans, advances or other extensions of credit so that the maximum aggregate principal amount at any one time remaining unpaid on all Obligations of Debtor to Secured Party secured hereby shall not be in excess of \_\_\_\_% of the aggregate amount owing to the Debtor for shipments of products previously made and for services rendered for which invoices have been issued and in respect of which the Debtor has furnished Secured Party with the assignments and other information required hereunder (such maximum ceiling on loans being hereinafter sometimes referred to as the "Loan Formula"). Debtor warrants that each and all of the accounts at any time included in the computation of the Loan Formula will be paid in full on or before \_\_\_\_ days from the respective dates of the billing thereof, and accounts which remain unpaid in whole or in part beyond such period or in respect of which set-offs, defenses or counterclaims are claimed by the account debtor shall not be included in the Loan Formula. Notwithstanding the delivery of an assignment or identification pursuant hereto or the making of any loan in connection therewith, Secured Party may within 20 days after the date of each such assignment or identification, respectively, by notice in writing to the Debtor reject as unacceptable any one or more or all of the accounts included in such assignment or identification; and in the event of any such rejection the Debtor shall forthwith pay and apply on its indebtedness to Secured Party an amount equal to the Loan Formula value of such rejected account or accounts and such account or accounts shall not thereafter be included in the Loan Formula. Any such rejection may be for any reason deemed by Secured Party to be sufficient and notice of such rejection shall be deemed sufficiently given if mailed to the Debtor by Secured Party within such 20-day period.

(b) The term "account", as used herein shall have the same meaning as set forth in the Uniform Commercial Code of Texas in effect as of the date of execution hereof, and as set forth in any amendment to the Uniform Commercial Code of Texas to become effective after the date of execution hereof, and shall include all accounts, notes, instruments, documents, general intangibles, drafts, acceptances and chattel paper in which at any time or from time to time Secured Party has or is intended to have a security interest pursuant to Section I hereof. As of the time any account becomes subject to such security interest, Debtor shall be deemed to have warranted as to each and all of such accounts (i) that each account and all papers and documents relating thereto are genuine and in all respects what they purport to be, (ii) that each account is valid and subsisting and arises out of a bona fide sale of goods sold and delivered to, or out of and for services theretofore actually rendered by the Debtor to, the account debtor named in the account, (iii) that the amount of the account represented as owing is the correct amount actually and unconditionally owing except for normal cash discounts and is not subject to any set-offs, credits, deductions or counter-charges, (iv) that the Debtor is the owner thereof free and clear of all liens, encumbrances and security interest of any and every nature whatsoever.

(c) In order to assure collection of accounts in which Secured Party has a secured interest hereunder, Secured Party may notify the post office authorities to change the address for delivery of mail addressed to Debtor to such address as Secured Party may designate, and to open and dispose of such mail and receive the collections of accounts receivable included herewith.

(d) Returned or repossessed goods arising from or relating to any accounts included within the security interest specified in Section I hereof shall if requested by Secured Party be held separate and apart from any other property. Debtor shall as often as requested by Secured Party, but not less often than weekly even though no special request has been made, report to Secured Party the appropriate identifying information with respect to such returned or repossessed goods relating to accounts included in assignments, or identification made pursuant hereto. At the same time the Debtor shall report the appropriate identifying information with respect to all accounts included in such assignments or identifications which remain unpaid in whole or in part beyond the period specified in the third sentence of the first paragraph of Section III hereof, or in respect of which set-offs, defenses or counterclaims are claimed by the account debtor. The Debtor shall forthwith pay and apply on its indebtedness to Secured Party an amount equal to the Loan Formula value of all accounts included in such reports.

**IV. PROVISIONS REGARDING INVENTORY.** The following provisions shall apply to all inventory within the Collateral:

(a) As used herein, "Net Security Value of Inventory" shall mean the net value of all inventory after taking into account charges, liens and security interests (other than the interest of Secured Party), of all kinds against inventory, changes in the market value thereof, and all transportation, processing and other handling charges affecting the value thereof, all as determined by Secured Party in its sole discretion, which determination shall be final and binding upon Debtor. The term "Borrowing Base" shall mean an amount equal to \_\_\_\_% of the Net Security Value of Inventory. Whenever the Borrowing Base is used as a measure of loans, it shall be computed as of and applied to the loans outstanding at the time in question.

(b) Although it is within Secured Party's discretion whether to extend credit pursuant hereto, Debtor understands Secured Party will use the Borrowing Base as a maximum ceiling on loans. Debtor agrees that, unless otherwise agreed by Secured Party in writing, the outstanding principal balance of loans hereunder together with interest due and unpaid thereon will at no time exceed the Borrowing Base, and agrees that if at any such time such excess shall arise, Debtor shall make payments in cash, on demand, in reduction of such interest and principal, in such amount as may be necessary to eliminate such excess.

(c) Debtor shall immediately notify Secured Party of any event causing loss or depreciation in value of the Collateral and the amount of such loss or depreciation, which amount shall be immediately reflected in the Net Security Value of Inventory unless otherwise agreed by Secured Party in writing. Debtor will deliver to Secured Party prior to the 10th day of each month a report, in form satisfactory to Secured Party, with respect to the last preceding month, showing Debtor's opening inventory, inventory acquired, inventory sold and delivered, inventory sold and held for future delivery, inventory returned or repossessed, inventory used or consumed in Debtor's business and closing inventory.

(d) Debtor will promptly notify Secured Party in writing of any addition to, change in or discontinuance of its place(s) of business as shown in this agreement, the places at which inventory is located as shown herein, the location of its chief executive office and the location of the office where it keeps its records as set forth herein. All Collateral will be located at the place(s) of business shown at the beginning of this agreement and in Section I as modified by any notice(s) given pursuant hereto.

(e) Until default, Debtor may use the inventory in any lawful manner not inconsistent with this agreement or with the terms or conditions of any policy of insurance thereon and may also sell that part of the Collateral consisting of inventory provided that all of such sales are in the ordinary course of business. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt. Until default, Debtor may also use and consume any raw materials or supplies, the use and consumption of which are necessary in order to carry on Debtor's business.

**V. GENERAL COVENANTS.**

(a) Debtor will furnish to Secured Party a landlord's waiver of all liens with respect to any Collateral covered by this Security Agreement which is or may be located upon leased premises, such landlord's waiver to be in the form acceptable to counsel for Secured Party.

(b) Debtor agrees to execute and deliver such Financing Statement or Statements, or amendments thereto or supplements thereto, or other instruments as Secured Party may from time to time require in order to comply with the Texas Uniform Commercial Code (or other applicable State law of the jurisdiction where any of the Collateral is located) and to preserve and protect the security interest hereby granted.

(c) Secured Party may, at its option, whether before or after default, but without obligation to the Debtor, discharge taxes, liens or security interests or other encumbrances at any time levied or placed upon the Collateral, and may place and pay for insurance thereon, or pay for the repair, improvement, maintenance and preservation of the Collateral and pay any filing or recording fees necessary to preserve and protect the security interest hereby granted. The Debtor agrees to reimburse Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authorization, and such amount shall constitute additional obligations of Debtor which shall be secured by and entitled to the benefits of this Security Agreement.

(d) Secured Party shall have the right at any time, in its own name or in the name of Debtor, whether before or after default by Debtor, to notify any and all account debtors to make payment thereof directly to Secured Party and to demand, collect, receive, receipt for, sue for, compound for and give acquittal for, any and all amounts due or to become due on the accounts and to sign the name of the Debtor on all documents necessary to collect upon, perfect or protect the security interest granted hereunder, and in its discretion to file any claim or take any other action or proceeding which Secured Party may deem necessary or appropriate to protect and preserve and realize upon the Security Interest of Secured Party in the Collateral; but to the extent Secured Party does not so elect, Debtor shall continue to collect the accounts. Except as otherwise permitted by the proviso to this sentence, all proceeds of collection of accounts received by the Debtor shall forthwith be accounted for and transmitted to Secured Party in the form as received by Debtor and shall not be commingled with any funds of the Debtor; provided, however, that prior to default by Debtor in the payment of any Obligations to Secured Party or until the privilege given to Debtor by this proviso shall be revoked by Secured Party in writing, the Debtor need transmit to Secured Party only the proceeds of accounts included in the identification or assignment made pursuant to Section III (d) hereof.

(e) Debtor shall at all reasonable times allow Secured Party by or through any its officers, agents, attorneys or accountants, to examine or inspect the Collateral wherever located and to examine, inspect and make extracts from Debtor's books and records. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, insurances, instruments as Secured Party may require, to more completely vest in and assure to Secured Party its rights hereunder and in or to the Collateral.

(f) Debtor shall have and maintain insurance at all times with respect to all tangible collateral covered hereby insuring against risks of fire (including so-called extended coverage), theft and other risks as Secured Party may reasonably require, containing such terms, in such form and amounts and written by such companies as may be reasonably satisfactory to Secured Party, all of such insurance to contain loss payable clauses in favor of Secured Party as its interest may appear. If any insurance required hereby expires or otherwise is not in full force and effect and Debtor fails to obtain replacement insurance, Secured Party may, but need not, obtain replacement insurance, (which may be single or dual interest, at Bank's option), pay the premiums thereunder and, to the extent permitted by law, add the amount of such premiums to the indebtedness secured hereby, and Debtor agrees to reimburse Secured Party for such amount. Debtor's failure to so reimburse Secured Party for the cost of such replacement insurance will constitute an Event of Default as described in Section VI hereof. All policies of insurance shall provide for ten (10) days written minimum cancellation notice to Secured Party and at request of Secured Party shall be delivered to and held by it. Secured Party is hereby authorized to act as attorney for Debtor in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts. Secured Party shall be authorized to apply the proceeds from any insurance to the Obligations secured hereby whether or not such Obligations are then due and payable.

(g) Any and all deposits or other sums at any time credited by or due from Secured Party to Debtor shall at all times constitute additional security for the Obligations and may be set off against any obligation at any time whether or not they are then due or other security held by Secured Party is considered by Secured Party to be adequate. At any time after default, any and all instruments, documents, policies and certificates of insurance, securities, goods, accounts, choses in action, chattel paper, general intangibles, cash, property and the proceeds thereof owned by Debtor or in which Debtor has an interest which after default hereunder are at any time in possession or control of Secured Party or in transit by mail or carrier to or from Secured Party or in the possession of a third party acting for Secured Party's benefit, without regard to whether Secured Party receives the same in pledge, for safekeeping, as agent for collection or transmission or otherwise, shall constitute additional security for obligations of Debtor and may be applied at any time toward Obligations which are then due whether by acceleration or otherwise.

(h) If Secured Party should at any time be of the opinion that the Collateral is not sufficient or has declined or may decline in value, or should Secured Party deem payment of Debtor's Obligations to Secured Party to be insecure, then Secured Party may call for additional Collateral satisfactory to Secured Party, and Debtor promises to furnish such additional security forthwith. The call for additional collateral may be oral, by telegram, or United States mail addressed to Debtor and shall not affect any other subsequent right of Secured Party to exercise the same. Debtor agrees that Secured Party shall have no duty or obligation to collect any account, or to take any other action to preserve or protect the Collateral; however, should Secured Party elect to collect any account, Debtor releases Secured Party from any claim or claims for loss or damage arising from any act or omission in connection with such collection.

#### VI. EVENTS OF DEFAULT:

(a) Debtor shall be in default under this Security Agreement upon the happening of any of the following events or conditions (herein sometimes called an "Event of Default"): (i) failure of Debtor to pay when due any interest on or any principal or installment of principal of any Obligation of Debtor to Secured Party; (ii) the occurrence of any event which under the terms of any evidence of indebtedness, indenture, loan agreement, security agreement or similar instrument permits the acceleration of maturity of any indebtedness of Debtor to Secured Party, or to others than Secured Party; (iii) any representation or warranty made by Debtor herein or made in any statement or certificate furnished to Secured Party by the Debtor pursuant hereto or in connection with any loan or loans proves incorrect in any material respect as of the date of the making or issuance thereof; (iv) default occurs in the observance or performance by Debtor of any provision of this agreement or of any note, assignment or transfer under or pursuant thereto; (v) the dissolution, termination of existence, insolvency or business failure of the Debtor, or the application for the appointment of a receiver of any part of the property of the Debtor, or the commencement by or against the Debtor of any proceeding under any bankruptcy arrangement, reorganization, insolvency or similar law for relief of debtors, or by or against any guarantor or surety for the Debtor, or upon the service of any warrant, attachment, levy or similar process in relation to a tax lien or assessment; (vi) the Collateral becomes, in the judgment of Secured Party, unsatisfactory or insufficient in character or value; or (vii) Secured Party considers payment of the Obligations to be insecure.

(b) Upon the occurrence of an Event of Default, and at any time thereafter, Secured Party, may at its option, without notice or demand to the Debtor, declare all Obligations secured hereby immediately due and payable and Secured Party shall thereupon have the rights and remedies of a Secured Party under the Texas Uniform Commercial Code, including without limitation, the right to sell, lease or otherwise dispose of any or all of the Collateral and to apply the proceeds thereof toward payment of any costs and expenses and attorney's fees and legal expenses thereby incurred by the Secured Party and toward payment of the Obligations in such order or manner as the Secured Party may elect. Secured Party shall have the right to take immediate possession of the Collateral, with or without process of law, and for that purpose Secured Party may enter without breach of the peace upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will send Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any public sale or other disposition thereof is to be made. The requirement of sending a reasonable notice shall be met if such notice is mailed, postage prepaid, to Debtor at the address designated at the beginning of this Security Agreement at least five days before the time of the sale or disposition. Expenses of retaking, holding, repairing, improving, maintaining, preparing for sale, selling or the like shall include Secured Party's reasonable attorneys' fees and legal expenses, plus interest thereon at a rate per annum at all times equal to the highest lawful contract rate permitted by applicable law of the State of Texas, and shall constitute additional Obligations of Debtor which shall be due on demand and which shall be secured by and entitled to the benefits of this Security Agreement. If the proceeds of any sale or other lawful disposition by Secured Party of the Collateral following its retaking, are insufficient to pay the expenses of retaking, repairing, holding, preparing the Collateral for sale, selling it and the like, to satisfy the Obligations of Debtor to Secured Party, then Debtor agrees to pay any deficiency, but Debtor shall be entitled to any surplus if one results after lawful application of all of such proceeds.

(c) Secured Party may remedy any default and may waive any default without waiving the default remedied or without waiving any other prior or subsequent default.

(d) It is the intention of the parties hereto to comply with the usury laws of the State of Texas; accordingly, it is agreed that notwithstanding any provision to the contrary in this Security Agreement, or in any of the documents evidencing the Obligations or otherwise relating thereto, no such provision shall require the payment or permit the collection of interest in excess of the maximum permitted by law. If any excess of interest in such respect is provided for, or shall be adjudicated to be so provided for, in this Security Agreement, or in any of the documents evidencing the Obligations or otherwise relating thereto, then in such event (a) the provisions of this paragraph shall govern and control, (b) neither the Debtor hereof nor his heirs, legal representatives, successors or assigns or any other party liable for the payment hereof, shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount permitted by law, (c) any such excess which may have been collected shall be, at the option of the holder of the instrument evidencing the Obligations, either applied as a credit against the then unpaid principal amount thereof or refunded to the Maker thereof and (d) the effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under the usury laws of the State of Texas as now or hereafter construed by the courts having jurisdiction.

(e) The remedies of Secured Party hereunder are cumulative, and the exercise of any one or more of the remedies provided herein shall not be construed as a waiver of any of the other remedies of Secured Party.

#### VII. GENERAL:

(a) Any provision hereof found to be invalid under the law of the State of Texas, or any other State having jurisdiction, shall be invalid only with respect to the offending provision. All words used herein shall be construed to be of such gender or number as the circumstances require. If this Security Agreement is executed by more than one Debtor, the obligations of all such Debtors shall be joint and several. This Agreement shall be binding upon the heirs, personal representatives, successors or assigns of the parties hereto, but shall inure to the benefit of successor or assigns of the Secured Party only. The law of the State of Texas shall apply to this Agreement and its construction and interpretation.

(b) Any carbon, photographic or other reproduction of this Agreement or of any financing statement signed by Debtor or Secured Party is sufficient as a financing statement for all purposes, including without limitation, filing in any state as may be permitted by the provisions of the Uniform Commercial Code of such state.

(c) The security interest hereby granted and all the terms and provisions hereof shall be deemed a continuing security agreement and shall continue in full force and effect, and all the terms and provisions hereof shall remain effective as between the parties, until first to occur of the following: (i) the expiration of four (4) years from the date of payment of Debtor's last Obligation to Secured Party; or (ii) repayment by Debtor of all Obligations and the giving by Debtor of ten (10) days written notice of revocation of the terms and provisions hereof.

SIGNED and delivered on the day and year first written.

Associated Railcar, Inc.

By: J. C. Graves  
President "Debtor"  
T. J. Raymond  
Sec. Treas.

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on the 7<sup>th</sup> day of March, 1986, by J. C. Graves, as President of Associated Railcar, Inc.

Marcia L. Roberts  
Notary Public  
My Commission Expires 5-19-90  
Printed Notary Name:  
MARCIA L. ROBERTS

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on the 7<sup>th</sup> day of March, 1986, by T. J. Raymond, as Secretary of Associated Railcar, Inc.  
Treasurer

Marcia L. Roberts  
Notary Public  
My Commission Expires 5-19-90  
Printed Notary Name:  
MARCIA L. ROBERTS